

JSE ACHIEVES SOLID RESULTS DESPITE CHALLENGING YEAR

JOHANNESBURG, 15 MARCH 2011. JSE Limited experienced a fair year in challenging conditions in 2010, driven by strong performances from the cash equity market, information products sales and commodity derivatives. Group revenues climbed by 9% to R1,255 million (2009: R1,156 million) in a year of focus on operational projects and responding to changes in the global exchange industry.

“The past 15 years have been a time of extraordinary development for the JSE. The diversity of revenue streams in the business reflects the fundamental nature of its transformational journey. The JSE’s ability to remain competitive in our fast changing industry has been maintained through continued growth in product range and trade volumes, as well as tight management of costs while still maintaining world class standards,” says Russell Loubser, CEO of JSE Ltd.

JSE operating costs before net finance income rose by 8% to R879 million (2009: R810 million) resulting in a net profit after tax of R378 million (2009: R366 million). Much of the cost increase can be attributed to costs related to the JSE’s large IT projects, which required increased staff numbers.

The JSE has no borrowings and R1,046 million in cash reserves (2009: R921 million).

2010 Overview

- Revenue from the issuer services division rose to R86 million (2009: R79 million), mainly owing to the inclusion of 12 months of revenue from the interest rate market. In June 2009, the JSE acquired the Bond Exchange South Africa (BESA). The JSE’s issuer services division generates revenue from all listings, including companies, bonds and other instruments. The number of new company listings on the JSE rose to 14 in 2010 (2009: 10) including one on AltX and one on the Africa Board. “Listings remained subdued, an experience shared with most other members of the World Federation of Exchanges. Notably, 2010 saw the listing of Wilderness Safaris – the second Africa Board listing,” says Loubser.
- Equities trading revenue again grew strongly, up 5% year-on-year (2010: R325 million; 2009: R310 million) owing to growing trading volumes. The number of daily equity trades increased 13% year-on-year (2010: 94,656). A new equities billing model aimed at incentivising increased trade was implemented in March 2010.
- In the equity derivatives market, the number of futures contracts traded rose in terms of value and number, but revenue fell slightly owing to a changed product mix. Trade in international derivatives – that is, derivatives on companies listed on a stock market offshore – grew particularly strongly. The team continues to bring new products to the market. To encourage a move to a central order book and to stimulate greater activity on the equity derivatives market, the JSE introduced the maker-taker billing model in July 2010.
- Trade in currency derivatives for 2010 was slightly down on 2009 levels. In 2010, the JSE added contracts on the Swiss franc and Chinese yuan.

- The commodities derivatives market performed well in 2010 with a 12% rise in commodity derivative contracts to 2.1 million. This is largely owing to a rise in volumes traded in its oldest product set – agricultural product derivatives – but also aided by the expansion of trade into new hard commodities products thanks to a licensing agreement with the CME Group.
- Increased revenue from the interest rate market results from the inclusion of 12 months of revenue against six months the previous year, when it was acquired from BESA. Like for like, revenue fell 10% to R35 million (2009: R38 million). Bond market volumes in 2010 were driven partly by foreigners entering the SA bond market, with net purchases valued at R58.6 billion (2009: net positive R24 billion). Interest rate derivatives volumes continued to grow off a low base. The JSE continues to discuss the model and ways forward with all market participants.
- The Information Products Sales (IPS) division's focus on previously untapped markets paid off. This is one of the reasons that revenue grew 7% (2010: R117 million; 2009: R109 million). The IPS team has expanded its product range and adjusted certain fees to ensure accessibility to data for more retail clients.

Strategic initiatives

Although much has changed at the JSE during the past decade, there is significant work still to be done, given the rate of change in the global financial services industry. Large-scale technology projects are central to the JSE's focus for 2011. Other strategic initiatives include:

- Building consensus on the growth of the spot and derivatives interest rate markets;
- Growing the client and product range in all market segments, concentrating particularly on how to bring over-the-counter (OTC) trade on-market and on how to encourage more foreign activity on the JSE derivatives exchange;
- Unlocking the opportunities for investors on the African continent by attracting listings on the JSE's Africa Board as well as creating indices on African stocks that allow investors to track the performance of top issuers across the continent.

Prospects

Revenue projections are not possible in the stock exchange industry, given the dependence on trading volumes in all the markets. "In a globally competitive environment, markets with strong regulation, solid infrastructure and thriving institutions will be better positioned to attract sustainable capital flows. The recognition by the World Economic Forum (WEF) *Global Competitiveness Report 2010-2011* that South Africa's securities exchange regulation is the best in the world reflects our transformation from a single product equity exchange to a well regulated fully horizontally and vertically integrated exchange," says Loubser.

Changes to board

The JSE Board has been relatively unchanged for the past decade. However, there comes a time in every institution when people wish to move on. The first change to the JSE'S Board is the decision of CEO Russell Loubser to stand down as CEO with effect from 31 December 2011.

"Russell joined the JSE as CEO in 1997 and has been responsible for significant and highly successful innovations. This is not the time to praise or thank Russell

for his enormous contribution as he still has nine months left before leaving the JSE. The time for farewells will come later," says JSE non-executive chairman Humphrey Borkum.

Borkum also announced that Nicky Newton-King, currently deputy CEO, will become CEO. "I am delighted to announce that the Board has appointed Nicky Newton-King as CEO with effect from 1 January 2012," says Borkum. "Nicky has been Russell's deputy for the past eight years. This appointment is well deserved and will ensure an orderly transition."

Other changes to the JSE Board are that non-executive directors Gloria Serobe and Wendy Luhabe have indicated that they will not make themselves available for re-election at our AGM in April 2011. "After having served 10 and eight years on the Board respectively they have both made significant contributions to the JSE's affairs and I thank them most sincerely", says Borkum.

Jonathan Berman who joined the Board as an alternate director following the BESA merger, resigned during the course of the year due to his other business commitments.

Lastly, in terms of accepted practice, it has been decided to shrink the number of executive directors on our Board. "Leanne Parsons and John Burke, who are senior and highly respected executives of the JSE, will both stand down as executive directors at our AGM in April. I am pleased to announce that they will continue to contribute to the Board as alternate directors," concludes Borkum.

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